

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: APRIL 19, 2007**

**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

☐ Consent ☒ Discussion

**SUBJECT:**

Discussion and possible action on Audit of City Procurement Card Program (2001-0607-09)

**Fiscal Impact**

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

To review the audit report Audit of City Procurement Card Program.

This audit was part of the authorized Audit Plan FY 2006-2007.

**RECOMMENDATION:**

Approval.

**BACKUP DOCUMENTATION:**

Audit of City Procurement Card Program (2001-0607-09)

Motion made by PAUL WORKMAN to Approve and accept the report on Audit of City Procurement Card Program (2001-0607-09)

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

JOSE TRONCOSO, LARRY BROWN, MICHAEL W. KERN, PAUL WORKMAN; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-STEVE WOLFSON)

Minutes:

City Auditor Bryan Smith gave a detailed review while referencing a PowerPoint presentation, which is made a part of the final minutes. Mr. Smith stated the City had approximately 25,000 purchases totaling more than 5 million dollars during Fiscal Year 2006. Subsequent to the end of this audit, a new system was implemented for the procurement card program. The recommendations made remain applicable to the new system as they address internal controls surrounding the software.

Mr. Smith noted the Finance and Business Services Department has been most receptive to the recommendations. When the new software was implemented in January of 2007, the department conducted training sessions with all P-Card holders and approvers. Staff from the City Auditor's

**AUDIT OVERSIGHT COMMITTEE MEETING OF: APRIL 19, 2007**

Office was present to brief these users on the serious consequences of misuse. Training was also given to the approvers to help them understand the importance of their roles. The Finance Department anticipates all recommendations made will be completed by December of 2007.

Vice-Chairman Brown asked if the Purchasing division had to hire more staff to handle oversight and management of the new program. Mark Vincent, Director, Finance and Business Services, replied that although there were no new positions approved for this function, it was necessary to reorganize some staffing. Mr. Vincent offered some history behind the P-Card program. Ten years ago, the City used Field Purchase Orders (FPOs) for small purchases and any employee could buy just about anything using that system. Because of this there were issues and fraudulent activity. To gain more control and establish accountability, the City moved to a credit card program. This system also interfaced into the accounting function in real time allowing immediate feedback.

Vice-Chairman Brown questioned whether the City receives any type of rebate off the purchases made with the P-Cards. Mary McQuoid, Manager, Finance and Business Services, stated the City received approximately 6 to 7 thousand dollars a year in purchasing rebates through the former P-Card program through Bank of America. She was not familiar with the rebate provisions, if any, for the new company.

Member Workman said his bank has gone out to provide services and the rebates offered are different than they were a couple years ago. He would hope the City could get between 50 and 80 thousand dollars off 5 million dollars worth of purchases but it would depend on the other services given by the credit card company as part of the package. Many card companies are now subscribing to other companies who provide them with services that then are passed to the end customer. Such services can cut into the rebate amounts offered.

Mr. Vincent noted that while rebates are beneficial, the City is more interested in getting systems in place that keep fraudulent use under control.

Vice-Chairman Brown felt that although it may be difficult to find hard cost savings on the P-Card system, but comparing to the FPO system, there should be a savings related to processing and staff hours to do so. Mr. Vincent indicated a flaw with the FPO system was the City not knowing what was purchased until the invoices came in, which often resulted in late fees and penalties to the vendors while waiting to match up justification paperwork.